

BUDGET, FINANCE & INVESTMENT COMMITTEE

April 30, 2009

5:30 P.M.

Courthouse

MINUTES:

<u>Members Present:</u>	<u>Others Present:</u>	<u>Others Present:</u>
Comm. Bob Bullen	Ernest Burgess	Scott Broden
Comm. Joe Frank Jernigan	Comm. Jeff Jordan	Elaine Short
Comm. Will Jordan	Bill Boner	
Comm. Robert Peay	Lisa Nolen	
Comm. Steve Sandlin	Jeff Sandvig	
Comm. Doug Shafer	Rosemary Jacobs	
Comm. Joyce Ealy, Chrm.	Michelle Willard	

Chairman Ealy presided and called the meeting to order at 5:30 P.M. with all members being present. The purpose of the meeting was to begin the 2009-10 budget process with an overview presented by the County Mayor and the Finance Director.

APPROVE MINUTES:

The minutes of the April 9, 2009 Budget Committee were presented for approval.

Comm. Jernigan moved, seconded by Comm. Shafer to approve the minutes as presented. The motion passed unanimously by acclamation.

GENERAL CAPITAL PROJECTS FUND BUDGET AMENDMENT:

The Finance Director advised that a settlement had been reached on the condemnation of the Correctional Work Center property. She provided a Progress Report as of April 23, 2009 showing what had been paid on the Juvenile Detention Center/Correctional Work Center Project to date, as well as the funding that had been approved. The original project estimate was \$25.2 million. The funding to-date was \$23,201,643.

The Finance Director explained that previously a transfer of \$450,000 from the Juvenile Detention Center/Correctional Work Center to the Court Center Project had been approved for the condemnation of that property. She requested approval of the following transfer to transfer \$185,000 from the Criminal Justice Project to the Juvenile Detention Center/Correctional Work Center Project to provide funding for the settlement of the condemnation of the property and to pay legal fees:

From: Criminal Justice Center Project -	\$185,000
To: Juvenile Detention Center/Correctional Work Center -	\$185,000

Following discussion, Comm. Jordan moved, seconded by Comm. Peay to approve the General Capital Projects Fund budget amendment transferring \$185,000 from the Criminal Justice Project to the Juvenile Detention Center/Correctional Work Center project for the settlement of the condemnation on the property and to pay legal fees. The motion passed unanimously by roll call vote.

2009-10 BUDGET REVIEW

Finance Director Lisa Nolen gave a presentation regarding the 2009-10 budget first providing an explanation of the 2009 assessments based on the estimated assessed valuation of real and personal property. She explained that the valuation of \$5,140,455,976 had been decreased by \$10 million to account for the \$40 million loss in assessments because of the tornado damage. The tax freeze properties further reduced the valuation by \$42,873,225, which represented \$1,097,555 in property taxes. However, compared to the same period last year, the valuation was \$4.9 billion, therefore the valuation overall has increased. The total taxable valuation including public utilities was \$5,246,982,751. At the current property tax rate of \$2.56 that

would generate \$129,326,399. The revenue per penny for the General Fund was \$505,181, and the revenue per penny for the School System was \$427,131.

The Finance Director advised that when the committee is considering additional pennies, they should use \$501,087 for the General Fund and \$423,669 for schools, which is based on the assessed value of the unfrozen properties.

The Finance Director advised that in the 2007-08 budget, \$269,000 was spent on the Property Tax Relief Program. In the current year, \$360,000 was budgeted for Property Tax Relief. She advised that the Trustee would be requesting to increase this amount at the May Budget Committee meeting. In the 2009-10 budget, \$525,000 is being projected for the Property Tax Relief Program. She advised that while the Property Tax Freeze program does not appear to be as much as first anticipated, the Property Tax Relief Program is costing more than what was estimated.

Comm. Bullen noted that it appeared that the Property Tax Relief Program was costing about a penny on the property tax rate.

2009-10 GENERAL FUND:

The Finance Director advised that the 2008-09 Fiscal Year began by using \$5.8 million of the Undesignated Fund Balance in the General Fund. Amendments have been approved to date totaling \$575,508 increasing the use of the Undesignated Fund Balance to \$6.4 million. She stated that this would have an affect on the budget for 2009-10.

She advised that the total expenditures requested from departments were \$75,736,637. The first cut that was made was \$530,000 for step increases for next year. The departments were not given step information to include in their requests.

The Mayor has recommended total revenue of \$66,312,073 and expenditures totaling \$74,012,331, which is a shortage of \$7.7 million. To balance the budget 15.37 cents on the property tax rate would be needed. The current property tax rate is \$2.56 with 53 cents going toward funding the General Fund. This would increase that amount to more than 68 cents.

Comm. Sandlin asked if the 15% Fund Balance Policy was the County's guideline. He asked what the State's guideline was.

The Finance Director advised that the State did not require a minimum fund balance for the General Fund, but that by having a Fund Balance Policy requiring a minimum amount to be maintained it helped when going to the bond market, because better interest rates could be received. She stated that it also provided assurances to the investor who bought the bonds.

Comm. Sandlin asked about lowering the fund balance requirement to 10% or 12% instead of 15%.

Mayor Burgess stated that a 5% change would amount to approximately \$3.5 million. Mayor Burgess advised this would be a primary question from Moody's and Standard and Poor's. He stated that it would be inadvisable to change the requirement to less than 15%.

Comm. Jordan stated that would probably only give relief for one more year, at the most. He stated that fund balance had been used every year, and that at some point in time revenue had to be addressed.

Comm. Jernigan asked if all counties had set their fund balance policy that high.

Mayor Burgess advised that the fund balance in the General Fund had been reduced significantly over the last several. Mayor Burgess stated that Rutherford County was borrowing routinely a lot more money than most other counties.

The Finance Director stated that rating agencies would question why the fund balance requirement was lowered. She advised that it concerned her because she and the Mayor would be talking with the rating agencies the next day.

Mayor Burgess stated that he and the Finance Director would need to represent to the rating agencies the feeling of the commission regarding the policy. He said if there was any substantial belief that the requirement might change, that would need to be disclosed. He stated that unless the Budget Committee had a strong feeling about the requirement, he and the Finance Director would be telling the rating agencies that the 15% requirement would be staying in place.

Comm. Bullen stated that he believed the committee needed to give the Mayor and the Finance Director a commitment that they would not recommend changing the 15% requirement.

Comm. Sandlin stated that when there are budgetary constraints, every avenue needed to be looked at. He stated he wanted to bring the Fund Balance Policy up for discussion, but he had no intention of presenting a motion to reduce it. He stated he believed they needed to look at every aspect to see where there was waste, to see what money was being spent correctly, to determine what services should be cut, if any, or increased or adjusted.

Following discussion, Comm. Bullen moved, seconded by Comm. Peay that the Mayor and the Finance Director be supported by keeping the Fund Balance requirement for the General Fund at 15% of appropriations.

Mayor Burgess stated that historically every year since he had been mayor and even before that, the fund balance had been drawn down routinely simply because of the expenditure level and trying to operate as efficiently as possible even during good economic times. He stated that \$4 million to \$6 million of the fund balance has been used each year in order to keep the property tax increases lower, and he stated that would continue to happen until something was done about revenue. He stated if the fund balance requirement was lowered for one year, and the problem would go away, that would be different, but he stated that the problem was not going away. He stated it was a recurring problem.

Comm. Jordan stated that he agreed that something needed to be done about revenue. He stated the fund balance requirement was at the minimum, and the revenue needed to be addressed. He stated that either the expenditures would have to be cut or revenue had to be increased, and that revenue for government was taxation of some form.

Comm. Sandlin stated that he did not believe the motion was necessary. He stated that reducing the fund balance requirement was another option.

Comm. Shafer stated that the committee has known about the fund balance situation, and the committee should be prepared to make a decision.

Following discussion, the motion to keep the Fund Balance requirement for the General Fund at 15% of appropriations passed by roll call vote with Comm. Sandlin voting "no".

The Finance Director advised that she was estimating that at July 1, 2009 the estimated unreserved fund balance would be approximately \$10.8 million. With the projected revenue of \$66.3 million and estimated expenditures of \$74 million, the estimated fund balance at June 30, 2010 would be \$3 million. The fund balance 15% requirement would be \$11.1 million leaving the fund short by \$8 million. To meet the 15% fund balance requirement, an increase of 16 cents on the property tax rate would be needed.

Mayor Burgess also pointed out that in years previous, all of the expenditures were not spent and there was a substantial amount of money left over. He stated that the budgets have been tightened in the last two or three years to the point that the savings at the end of the year would not be as much. He also advised that the revenue was less favorable than in years past.

Comm. Peay stated that the budget situation was not a surprise to anyone. He advised that the last few years the Budget Committee had recommended a higher property tax rate, but it was reduced on the commission floor.

Comm. Sandlin stated that what was a surprise was that step increases were not included that were promised to employees. He stated in the same way that a promise was made to keep the fund balance requirement at 15%, a promise was made to employees that they would receive the steps, and that it would cut down on turnover. He stated the step increases gave employees the opportunity to look ahead at how they were going to function as a family and how they were going to grow.

The Finance Director reviewed the revenue for the General Fund explaining that the projected revenue for 2009-10 of \$66,312,073 was \$1.5 million less than the current year revenue. She explained that it was being projected that the excess fees from the elected officials would be \$1 million less. It was also estimated that Charges for Services and Other Local Revenue would be almost \$1 million less. She also advised that another substantial reduction would be the capital component of the Development Tax, which has been used to fund capital items in the General Fund. She advised that the revenue from the Development Tax was only being estimated at \$1 million for next year. Half of that would be transferred to the Debt Service Fund, and the other half would be used for capital items.

Mayor Burgess advised that capital expenditures for next year would be very limited with no funding for furniture, fixtures, and equipment. He stated there would be no Information Technology capital expenditures except for the flyover, no ambulances, and a limited number of vehicles for the Sheriff's Office.

The Finance Director reviewed the estimated expenditures for the General Fund totaling \$74,012,331 explaining how each category was reduced or increased and that the net increase to expenditures was \$335,524.

The Finance Director explained that in the General Fund the salaries and wages had an overall increase of \$116,740. She advised that 15 positions had been eliminated with an increase of two full time positions. The positions eliminated were the Maintenance Department Assistant Director, one Planning Engineer Tech., one Building Codes Inspector, five detention officers and one administrative assistant at the Correctional Work Center which were funded in 2007-08 for one-fourth of a year, five supervisors at the Ambulance Service which will be accomplished through attrition, and one Health Department nurse assistant. Currently, all of the positions are vacant with the exception of the Planning Engineer Tech.

The new positions were one SRO and two part time school patrol positions, one part time Domestic Violence position, a Veterinarian for one-half year, promoting two paramedic I positions to paramedic II, eliminating turnover percentage at the Ambulance Service, increases to the General Sessions Judges' salaries, health insurance costs for active employees increased by \$50,000, Other Fringe has increased \$100,000 for retiree's insurance matching, an increase of \$72,500 for Disability Insurance due to being funded a full year, a \$10,000 increase for Unemployment Insurance, and an increase of \$15,000 for the pooled health insurance account, which is used to make adjustments during the year after open enrollment.

2009-10 SOLID WASTE/SANITATION FUND:

The estimated beginning fund balance at July 1, 2009 for the Solid Waste/Sanitation Fund was \$3.3 million with projected revenue of \$2,661,005 and the Mayor's recommended appropriations totaling \$3,257,440. The estimated ending fund balance at June 30, 2010 was \$2,703,565. The Solid Waste Fund also does not include step increases for employees, but the cost of the steps would be \$20,500. The Solid Waste Fund does not receive any property tax rate. If the committee decided to use property tax to balance the budget, 1.19 cents would be needed.

2009-10 INDUSTRIAL ECONOMIC DEVELOPMENT FUND:

The revenue for Fund 119, Industrial Economic Development Fund, projected at \$113,366, is derived from interest received on the note from Wherry Housing and interest on a loan from the Smyrna/Rutherford County Airport Authority. The estimated appropriations totaling \$219,944 were for payments to the Chamber of Commerce for Destination Rutherford and the Rutherford County Economic Development Council. The estimated ending fund balance at June 30, 2010 was \$235,188.

2009-10 DRUG CONTROL FUND:

The revenue for Fund 122, Drug Control Fund, was projected at \$628,000 with the Mayor's recommended appropriations totaling \$854,133. The estimated fund balance at June 30, 2010 was \$733,867.

2009-10 DEVELOPMENT TAX FUND:

The projected revenue for the 2009-10 Development Tax Fund was \$1,050,000 with the Mayor's recommendation for the appropriations totaling \$1,135,500. The estimated ending fund balance at June 30, 2010 was \$3,914,500. The Finance Director reminded the committee that the fund balance included a designation of \$975,000 for debt service.

The Finance Director advised that it was being proposed that \$500,000 of the 2009-10 Development Tax be transferred to the General Fund to fund the flyover at \$360,000 and that \$140,000 be used toward patrol cars for the Sheriff's Department. The remaining \$500,000 will be transferred to the Debt Service Fund. The Development Tax fund also includes an appropriation of \$125,000 for the consultant for the zoning study for the Planning Department.

2009-10 HIGHWAY FUND:

The 2009-10 projected revenue for the Highway Fund totaled \$8,121,440 and estimated appropriations were \$9,356,150. The estimated beginning fund balance at July 1, 2009 was \$6,300,000, and the estimated ending fund balance at June 30, 2010 was \$5,065,290. The Finance Director advised that the Highway Fund received one cent on the property tax rate for Public Works. The estimated revenue to be received from property tax was \$519,840 with the expenditures for easements being \$454,900. The estimated designation of fund balance for Public Works at June 30, 2009 was \$990,000.

2009-10 GENERAL PURPOSE SCHOOL FUND:

The 2009-10 projected revenue for the General Purpose School Fund was \$241,759,937, and estimated expenditures were \$243,632,755. The estimated beginning fund balance at July 1, 2009 was \$7.3 million, and the estimated ending fund balance at June 30, 2010 was \$5,436,182. The 3% required fund balance was \$7,308,983. The General Purpose School Fund currently receives \$1.23 of the property tax rate. An increase of 4.5 cents on the property tax rate would be needed in order to balance the budget.

2009-10 CENTRAL CAFETERIA FUND:

The 2009-10 projected revenue for the Central Cafeteria Fund was \$13,768,200, and estimated appropriations were \$13,374,100. The estimated beginning fund balance at July 1, 2009 was \$3,443,000, and the estimated ending fund balance at June 30, 2010 was \$3,837,100.

2009-10 EDUCATION CAPITAL PROJECTS:

The 2009-10 projected revenue for the Education Capital Projects Fund was \$2,235,204, and the estimated expenditures totaled \$2,235,204. The Education Capital Projects Fund currently receives five cents on the property tax rate.

2009-10 GENERAL DEBT SERVICE FUND:

The 2009-10 projected revenue for the General Debt Service Fund was \$41,027,389, and the estimated appropriations totaled \$41,106,111. The estimated beginning fund balance at July 1, 2009 was \$31,675,000, and the estimated ending fund balance at June 30, 2010 was \$31,596,278, which would be 76.87% of the appropriations. The General Debt Service Fund currently receives 74 cents on the property tax rate, and as presented the fund would not require an increase to the property tax rate.

2009-10 SUMMARY:

To summarize the information, the Finance Director advised that the mayor was recommending a 16 cent increase to the property tax rate for the General Fund from 53 cents to 69 cents. The General Purpose School Fund would require an increase to the property tax rate of 4.5 cents from \$1.23 to \$1.275. The total increase would be 20.5 cents with the total recommended property tax rate being proposed to increase from \$2.56 per \$100 of assessed value to \$2.765.

The Finance Director presented a proposed Statement of Operations showing the additional revenue to be received from the recommended property tax rate. The General Fund would receive an additional \$8 million with the estimated ending fund balance of \$11,117,132. The General Purpose School Fund would receive an additional \$1,906,510 with the estimated ending fund balance being \$7,342,692.

The total appropriations for all budgets were \$389,183,668.

The Finance Director presented options to an increase of 16 cents on the property tax rate for the General Fund, which included furloughs based on 10 days per employee. This amounted to \$1,407,063 or approximately 2.8 cents on the property tax rate. If all public safety and public health departments were excluded from furloughs, the value of 10 days for the remaining employees would amount to \$321,387 which would save slightly more than one-half penny on the property tax rate.

Another option would be to close one ambulance station, which would eliminate six positions, resulting in a saving of approximately \$308,010.

Comm. Sandlin asked if any consideration had been given to contracting ambulance service to a private company.

Other options presented would be to reduce salaries and wages by 1% or 5%.

Mayor Burgess advised that another option that had been discussed, but was not presented, was offering a buyout to employees. He stated that he had not found any way to make that practical.

ADJOURNMENT:

The next Budget Committee meeting would be the regular meeting on Thursday, May 7. The next meeting to address the 2009-10 budget would be Tuesday, May 12 at 5:30 P.M.

There being no further business to be presented at this time, Chairman Ealy declared the meeting adjourned at 7:00 P.M.

Elaine Short, Secretary